



HOME BUILDERS ASSOCIATION OF WEST VIRGINIA

DEC 8 9 2003

A MEMBER OF THE NATIONAL ASSOCIATION OF HOME BUILDERS

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December 8, 2003

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The Honorable Alan B. Mollohan
 United States House of Representatives
 2302 Rayburn House Office Building
 Washington, DC 20515

Dear Congressman Mollohan:

The Federal Home Loan Bank System plays a vital role in making our housing finance system the envy of the world. FHLBanks and their members are the largest source of residential mortgages and community development credit in the United States and remain critical to the success of the nation's housing sector.

Over the last year, many in Washington have advocated the benefits of requiring the FHLbanks to register with the SEC under the Securities Exchange Act of 1934. While we support the best possible financial disclosures for FHLBanks we remain extremely concerned about unintended consequences of such registration. The National Association of Home Builders (NAHB) has publicly supported the registration provided the housing sector and mortgage prices are not negatively affected.

A recent study by the First Manhattan Consulting Group indicates that the concerns of the NAHB were well founded. The report found that SEC registration could reduce system earnings from \$300 to \$500 million per year as a result of additional liquidity requirements. The conservative estimate of \$300 million in annual earnings reductions will not only negatively impact mortgage rates, but will eliminate at least \$30 million in grants for low- and moderate- income housing under the Affordable Housing Program.

To prevent the unintended additional costs on the housing sector, we believe that the cooperative and historically successful FHLBank business model requires more than the traditional one-size-fits-all SEC registration. The safety and soundness regulator of the FHLBanks should be



A Building Force.

Congressman Alan B. Mollohan
December 8, 2003
Page 2

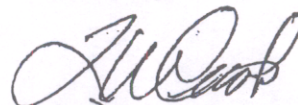
responsible for financial disclosure regulation similar to the responsibility of federal banking regulators for banks not in a holding company corporate structure. This is the same authority granted to the OCC and OTS to regulate the securities disclosures of certain banks under 12(i) of the '34 Act.

Should the so-called 12(i) model not be followed for financial disclosure regulation, the SEC should be directed by Congress to ensure that all possible steps are taken to not unnecessarily impede or limit the FHLBanks' access to the capital markets. In addition, the SEC should take steps to ensure ongoing familiarity and responsiveness to issues that arise in the future to help avoid costs on the Federal Home Loan Bank System and housing that might arise from unnecessarily high liquidity requirements.

NAHB Chief Economist David Seiders recently commented, "The housing sector of the U.S. economy has turned in a truly heroic performance, through both the recession of 2001 and the job-losing recovery since then. Without this performance, the recession would have been longer and deeper and the recovery process to date would have been even weaker."

We must make every effort to ensure that housing remains such a strong element of our national economy. Thank you for your consideration of this important matter.

Sincerely,



Lloyd W. Crook
President